

Message Text

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O 072305Z FEB 76

FM SECSTATE WASHDC

TO USMTM DHAHRAN

S E C R E T STATE 030990

EXDIS ADDEE HANDLE AS SPECAT EXCLUSIVE

FOLLOWING REPEAT FROM AMERICAN EMBASSY JIDDA SAUDIA ARABIA

886 DTG 071600Z FEB 76 ACTION SECSTATE

QTE

S E C R E T JIDDA 0886

EXDIS

DEPT PASS SECDEF, USMTM DHAHRAN AS SPECAT EXCLUSIVE

E.O. 11652: GDS

TAGS: MARR, MASS, SA, US

SUBJECTPEACE HAWK V LOA'S AND AGENT'S FEES

REF (A) SECDEF 1923182 JAN 76 (NOTAL) , (B) STATE 7728

1. AS THE FEBRUARY 12 DEADLINE FOR THE SIGNING OF THE PEACE
HAWK V LETTERS OF OFFER APPROACHES, ONE MAJOR ISSUE APPEARS TO
BE FUZZY -- THE QUESTION OF AGENT'S FEES.

2. ON JANUARY 13, 1975, WE DELIVERED A LETTER FROM DSAA DIRECTOR
LTG FISH TO SAG MINDEF PRINCE SULTAN ASKING FOR THE SAG POSITION
"REGARDING INCLUSION OF AN AGENT'S FEE IN CONTRACTS AWARDED FOR
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THE PEACE HAWK V PROGRAM." (REF B). AS OF TODAY (FEB 7) THAT

LETTER IS UNANSWERED. THE SAUDI POSITION CONTAINED IN THE SEPTEMBER 17, 1975, DECREE BY THE COUNCIL OF MINISTERS, SPECIFICALLY REFERS TO "THE SUPPLY OF ARMS OR RELATED EQUIPMENT." IT DOES NOT SPECIFICALLY DEAL WITH MAINTENANCE, TRAINING AND CONSTRUCTION SERVICES PROVIDED IN PEACE HAWK V. A MESSAGE FROM LTGEN FISH TO CHUSMTM (REF A) INSTRUCTS GEN AHMANN TO PROCEED WITH THE SIGNING OF THE LETTERS OF OFFER REGARDLESS OF WHETHER A RESPONSE TO THE LETTER ON AGENT FEES HAS BEEN RECEIVED. THE MESSAGE CONTINUES, HOWEVER, QUOTE SULTAN MUST BE ADVISED PERSONALLY THAT WE MUST RECEIVE FORMAL RESPONSE TO MY LETTER BEFORE WE CAN GUARANTEE PROMPT AND FULL IMPLEMENTATION OF THE PEACE HAWK V PROGRAM. REASON FOR THIS IS THE CONTRACTUAL LANGUAGE TO BE INCLUDED IN USAF-NORTHROP CONTRACT WILL BE CONDITIONED BY CONTENT OF HIS REPLY UNQUOTE.

FULL TEXT SEPTEL.

3. BOTH THE EMBASSY AND CHUSMTM HAVE THREE MAIN CONCERNS. THEY ARE:

A. MIGHT NORTHROP'S FINANCIAL EXPOSURE TO ITS AGENT KOSHOGGI BE SO GREAT (APPROXIMATELY \$77 MILLION) AS TO FORCE NORTHROP TO BACK OUT OF THE DEAL OF FACE CORPORATE COLLAPSE?

B. WOULD THE USG THEN BE LEGALLY OBLIGATED TO PROVIDE THE MAINTENANCE, TRAINING AND CONSTRUCTION SERVICES CALLED FOR IN PEACE HAWK V IF NORTHROP PULLS OUT?

C. IF THE SAUDIS SIGN THE LOA, SULTAN IS LIKELY TO REFUSE TO ANSWER LTG FISH'S LETTER ON THE BASIS THAT NOTE 19 OF THE LOA (WHICH PROHIBITS ANY PAYMENT OF AGENTS' FEES OUT OF PEACE HAWK CONTRACT PRICE) IS SUFFICIENT STATEMENT OF HIS INTENT. IN THIS CASE ARE USG AND NORTHROP CONFIDENT ENOUGH OF THEIR LEGAL POSITION TO PROCEED WITH FULL IMPLEMENTATION OF PEACE HAWK V?

4. WE HAVE NO CONFIDENCE THAT PRINCE SULTAN WILL CHOOSE TO ANSWER GEN. FISH'S LETTER PRIOR TO THE DEADLINE FOR SIGNING THE LOA'S. (THE QUESTION IS FURTHER COMPLICATED BECAUSE PRINCE SULTAN IS OFF IN THE DESERT HUNTING WITH THE KING AND ONLY marginally AVAILABLE.) ONCE THE LOA'S HAVE BEEN SIGNED WE BELIEVE THAT IT WOULD BE UNTENABLE FOR US THEN

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TO INFORM SULTAN THAT WE WILL NOT IMPLEMENT THE LOA'S UNTIL WE HAVE RECEIVED A RESPONSE TO GENERAL FISH'S LETTER. (FYI: THE LOA'S SIGNED BY THE U.S. SIDE ARE IN POSSESSION OF SAG.)

5. ACTION REQUESTED: URGENT WASHINGTON GUIDANCE CONCERNING THE THREE AREAS OF CONCERN ABOVE. IF THE ANSWER TO 3 C IS IN THE AFFIRMATIVE WE WOULD RECOMMEND NOT PRESSING SULTAN AND CONCLUDING LOA NEGOTIATIONS ASAP. PORTER UNQTE

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